

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
ADEL, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|------------------------------|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2005 Election) | | |
| Darrell Weems | President | 2006 |
| Pat Steele | Vice President | 2005 |
| Tim Canney | Board Member | 2007 |
| Kim Roby | Board Member | 2007 |
| Paula James | Board Member | 2006 |
| <u>Board of Education</u> | | |
| (After September 2005 Election) | | |
| Darrell Weems | President | 2006 |
| Pat Steele | Vice President | 2008 |
| Tim Canney | Board Member | 2007 |
| Kim Roby | Board Member | 2007 |
| Paula James | Board Member | 2006 |
| <u>School Officials</u> | | |
| Tim Hoffman | Superintendent | 2006 |
| Shirley McAdon | District Secretary/Treasurer | 2006 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Adel-DeSoto-Minburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2006 on our consideration of Adel-DeSoto-Minburn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adel-DeSoto-Minburn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2003 (none of which are presented herein) were previously audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 3, 2006

MANAGEMENT’S DISCUSSION AND ANALYSIS

Adel-DeSoto-Minburn Community School District provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$10,467,405 in fiscal 2005 to \$11,082,668 in fiscal 2006, while General Fund expenditures increased from \$10,946,455 in fiscal 2005 to \$11,417,808 in fiscal 2006. The District’s General Fund balance decreased from \$166,203 in fiscal 2005 to (\$163,081) in fiscal 2006, a 198.1% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits and an increase in staff to provide special education.
- District voters passed a bond issue by 73% on October 21, 2003, for \$12,500,000 to construct an 8-9 Building on the high school site, add an Early Childhood Center and all-purpose room at the Adel Elementary School site, and renovate all district buildings to include air-conditioning. Construction continued through fiscal 2006. The remainder of the General Obligations Bonds was sold in fiscal 2006 and Revenue Bonds totaling \$2,505,000 were sold in fiscal 2006 to complete financing for the projects to be concluded in fiscal 2007.
- The State of Iowa dictated a statewide revaluation of agricultural land and a corresponding rollback in residential property values. The District’s total taxable valuation significantly decreased for fiscal 2005. The decrease affected the regular Physical Plant and Equipment Levy because it is at its maximum levy. A drop in valuation also affected the amount of bonds that could be sold up to the \$4.05 levy of assessed property valuation for construction, a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. Valuation for 2006 increased from \$248,689,570 to \$254,845,220, an increase of \$6,155,650 or 2.5%, but valuation still has not regained its previous level.
- Dallas County passed a Local Option Sales and Services Tax of 1¢ on March 25, 2003, by 65% that is projected to provide \$13.4 million to Adel-DeSoto-Minburn over ten years. That will allow the District to abate property taxes for new construction with sales tax proceeds and allowed the District to drop the Physical Plant and Equipment Levy for 2005-06.

Overview of the Financial Statements

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *government funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

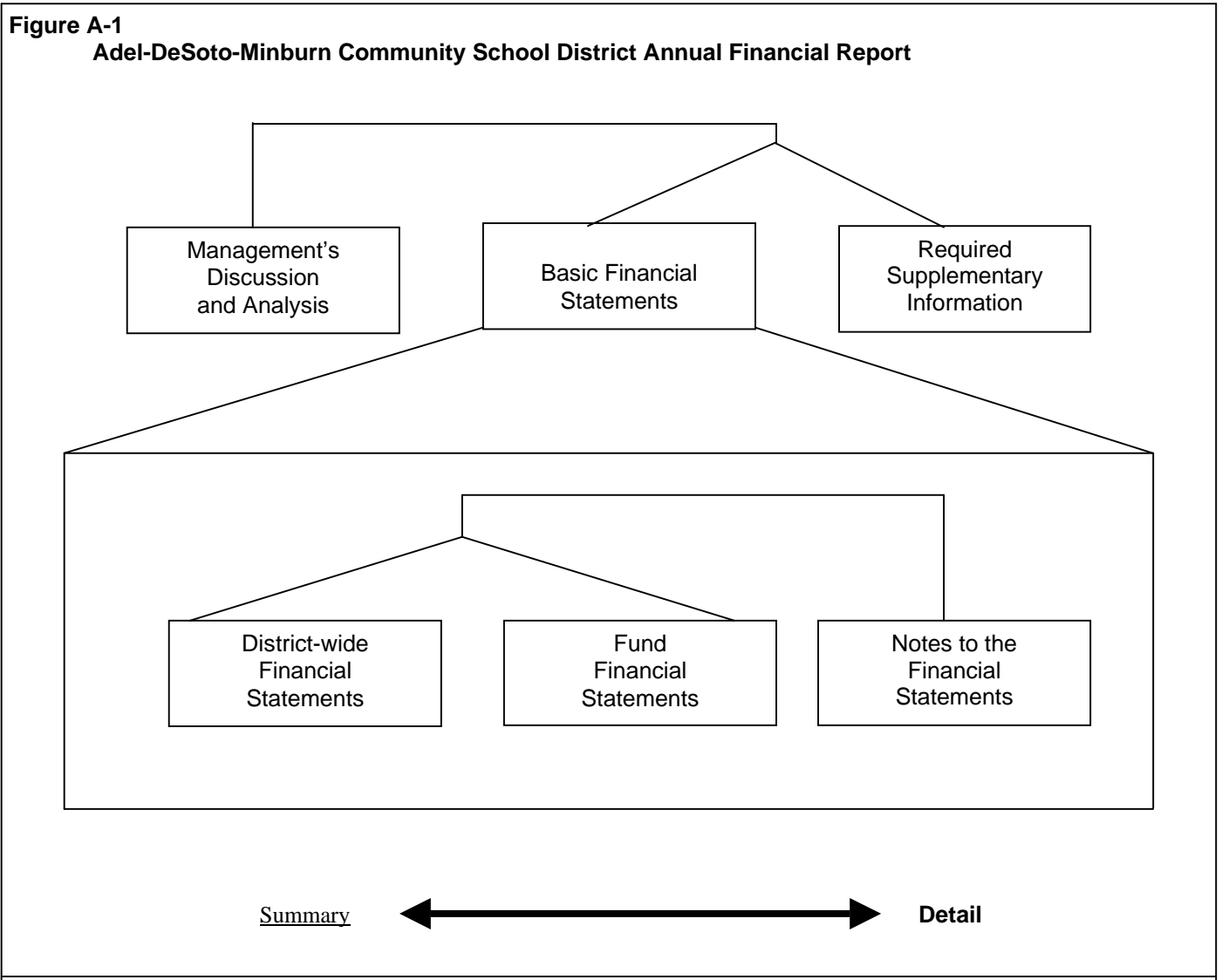


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

| Figure A-2 Major Features of the District-Wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | District-Wide Statements | Government Funds | Fund Statements Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial Statements | <input type="checkbox"/> Statement of net assets <input type="checkbox"/> Statement of Activities | <input type="checkbox"/> Balance sheet <input type="checkbox"/> Statement of revenues, expenditures, and changes in fund balances | <input type="checkbox"/> Statement of net assets <input type="checkbox"/> Statement of revenues, expenses and changes in net assets <input type="checkbox"/> Statement of cash flows | <input type="checkbox"/> Statement of fiduciary net assets <input type="checkbox"/> Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and before-and-after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for custodial purposes and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|-----------------------------|----------------------------|----------|-----------------------------|--------|--------------------------|-----------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005- 2006 |
| Current and other assets | \$8,481 | \$14,029 | \$ 36 | \$ 113 | \$8,517 | \$ 14,142 | -39.8% |
| Capital assets | 19,879 | 10,765 | 104 | 38 | 19,983 | 10,803 | 85.0% |
| Total assets | 28,360 | 24,794 | 140 | 151 | 28,500 | 24,945 | 14.3% |
| Long-term obligations | 16,295 | 13,285 | -0- | -0- | 16,295 | 13,285 | 22.7% |
| Other liabilities | 5,581 | 5,917 | 81 | 45 | 5,662 | 5,962 | -5.0% |
| Total liabilities | 21,876 | 19,202 | 81 | 45 | 21,957 | 19,247 | 14.1% |
| Net assets: | | | | | | | |
| Invested in capital assets, | | | | | | | |
| net of related debt | 6,269 | 4,097 | 104 | 38 | 6,373 | 4,135 | 54.1% |
| Restricted | 466 | 1,329 | -0- | -0- | 466 | 1,329 | -64.9% |
| Unrestricted | (251) | 166 | | 68 | (296) | | -226.5% |
| | | | (45) | | | 234 | |
| Total net assets | \$6,484 | \$5,592 | \$ 59 | \$ 106 | \$ 6,543 | \$ 5,698 | 14.8% |

The District's improved financial position in regard to net assets is the product of many factors. Capital assets increased due to construction-in-progress while current assets decreased because contractors have been paid for work completed. SILO receipts continued to increase and PPEL current assets were conserved to be used in future years since the levy is no longer in place.

Long-term obligations increased because bonds were sold for the construction projects for new construction, renovation and air-conditioning. Other liabilities decreased due to construction contracts payable because much of the construction projects had been completed.

The restricted net assets decrease can be attributed to the depletion of the Capital Projects Fund balance for construction.

Unrestricted net assets decreased due to expenditures for salaries and benefits that decreased General Fund balance because enough budget growth did not occur to offset salary and benefit settlements and because of staff increases for special education.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2006 as compared to 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|---|----------------------------|---------|-----------------------------|--------|--------------------------|----------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service and sales | \$1,252 | \$1,215 | \$ 450 | \$ 429 | \$ 1,702 | \$ 1,644 | 3.5% |
| Operating grants, contributions and restricted interest | 1,071 | 970 | 171 | 162 | 1,242 | 1,132 | 9.7% |
| Capital grants, contributions and restricted interest | 478 | -0- | -0- | -0- | 478 | -0- | 478.0% |
| General revenues: | | | | | | | |
| Property Tax | 3,974 | 3,879 | -0- | -0- | 3,974 | 3,879 | 2.4% |
| SILO and mobile home taxes | 1,222 | 1,041 | -0- | -0- | 1,222 | 1,041 | 17.4% |
| Unrestricted state grants | 5,731 | 5,419 | -0- | -0- | 5,731 | 5,419 | 5.8% |
| Unrestricted investment earnings | 174 | 231 | 2 | 1 | 176 | 232 | -24.1% |
| Other | 120 | 126 | -0- | -0- | 120 | 126 | -4.8% |
| Total revenues | 14,022 | 12,881 | 623 | 592 | 14,645 | 13,473 | 8.7% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 8,166 | 7,838 | -0- | -0- | 8,166 | 7,838 | 4.2% |
| Support services | 3,586 | 3,008 | 46 | -0- | 3,632 | 3,008 | 20.7% |
| Non-instructional programs | 0 | 0 | 624 | 628 | 624 | 628 | -0.6% |
| Other expenses | 1,378 | 1,416 | -0- | -0- | 1,378 | 1,416 | -2.7% |
| Total expenses | 13,130 | 12,262 | 670 | 628 | 13,800 | 12,890 | 7.1% |
| Change in net assets | \$ 892 | \$ 619 | \$ -47 | \$ -36 | \$ 845 | \$ 583 | 44.9% |

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of total expenses. The increase in net assets is tied to capital grants and SILO taxes.

Governmental Activities

Revenues for governmental activities were \$14,022,120 and expenses were \$13,129,713. Enrollment increased about ten students this year, but it was not enough to take pressure off the operating budget.

Figure A-5 shows each activity's net cost, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

| Figure A-5 | | |
|--|-----------------------------------|---------------------------------|
| Total and Net Cost of Governmental Activities | | |
| (expressed in thousands) | | |
| | Total Cost Of Services | Net Cost Of Services |
| Instruction | \$ 8,166 | \$ 6,501 |
| Support Services | 3,586 | 3,337 |
| Non Instruction programs | 0 | 0 |
| Other expenses | 1,378 | 491 |
| Totals | \$ 13,130 | \$ 10,329 |

- The cost financed by users of the District's programs was \$1,251,884.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,549,511.
- The net cost of governmental activities was financed with \$3,974,273 in property tax, \$1,222,374 in SILO and mobile home taxes, \$5,730,606 in state foundation aid, \$173,882 in interest income, and \$119,590 in other income.

Business Type Activities

Revenues of the District's business-type activities were \$622,583 and expenses were \$670,337. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2006, increases in meal prices were made. However, School Nutrition Fund lost ground to increases in expenditures in operations and purchase of new equipment related to construction, resulting in a decrease in net assets. Another increase in lunch prices will be instituted for fiscal 2007. The Day Care Fund was able to meet expenses with charges for services and increase net assets.

Financial Analysis of the District's Funds

As previously noted, the Adel-DeSoto-Minburn Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,006,514, a significant decrease compared to last year's ending fund balances of \$8,193,690.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Little enrollment growth has meant little budget growth; salary and benefit settlements have exceeded that growth. Cash reserves were used to allow maintenance of programming. Unexpected was the growth in the number of teacher associates required by special education IEPs, which caused further pressure on the budget.
- The General Fund balance decreased from \$166,203 to (\$163,081) because the District was unable to trim expenditures as the negotiated salary and benefit settlements increased at least 4.45% for all groups and more employees were added for special education. Plant operating expenses increased because of new construction.
- The Management Fund balance increased from \$119,904 to \$129,834 because a levy increase offset property and casualty insurance premiums increases and early retirements increases.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$330,815 to \$228,598. SILO receipts have allowed preservation of some of the PPEL fund balance to be used for buying computers and busses. The voted PPEL levy expired June 30, 2005.
- The Capital Projects Fund balance decreased from \$7,253,047 to \$2,633,525 because of the payments to contractors for construction projects.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$72,922 at June 30, 2005, to \$15,733 at June 30, 2006, representing a decrease of approximately 78 percent. While participation is constant, enrollment has had little growth; revenues are not increasing as fast as increases for expenditures.
- The Day Care Fund net assets increased from \$33,548 at June 30, 2005, to \$42,983 at June 30, 2006, representing an increase of approximately 28%. Decreased staff costs have allowed an increase in net assets.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with noninstructional programs, and a bond issue. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 54.

School Districts have two levels of budgetary control, the "certified budget" explained above for all District funds and the "unspent (maximum) authorized budget" that pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$505,979 more than the total budgeted receipts, a variance of 4%. The most significant change resulted in the District receiving more in various local sources of funds and less state aid and federal aid than originally anticipated.

Total expenditures were less than budgeted due to excess budget for anticipated expenditures that were subsequently delayed. It is the District's practice to budget expenditures to present a balanced budget, showing revenues as expected and maintaining the beginning cash balance at the end of the year, except for capital projects funds and PPEL funds. The District then manages or controls each fund's spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. Due to the reallocation of expenditures because of the state requirement to change account coding to match federal requirements at the end of the fiscal year, the support services category exceeded the amended budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the District had invested \$19.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computer, audio-visual equipment, and transportation equipment. (see Figure A-6) This amount represents a net increase of 80.3 percent from last year. More detailed information is available in Note 5 to the financial statements. Depreciation expense for the year was \$426,036.

The original cost of the District's capital assets was \$26.43 million. Governmental funds account for \$26.17 million with the remainder of \$0.26 million in the Proprietary, School Nutrition Fund and Day Care Fund.

The largest change in capital asset activity during the year occurred in the land improvements and construction-in-progress categories.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

| Change | Governmental Activities | | Business-type Activities | | Total School District | | Total |
|-----------------------------------|-------------------------|--------|--------------------------|------|-----------------------|--------|-----------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Land | \$ 670 | 670 | \$ -0- | -0- | \$ 670 | 670 | 0.0% |
| Construction in progress | 11,315 | 4,219 | -0- | -0- | 11,315 | 4,219 | 168.2% |
| Buildings | 6,956 | 5,023 | -0- | -0- | 6,956 | 5,023 | 38.5% |
| Improvements other than buildings | 589 | 569 | -0- | - | 589 | 569 | 3.5% |
| Furniture and equipment | 349 | 284 | 104 | 38 | 453 | 322 | 40.7% |
| Totals | \$ 19,879 | 10,765 | \$ 104 | 38 | \$ 19,983 | 10,803 | 85.0% |

Long-Term Debt

At June 30, 2006, the District had \$16,294,883 in outstanding general obligation bond debt and other long-term debt. This represents an increase of approximately 22.7 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

In March 2003, the voters of Dallas County approved a Local Option Sales and Services Tax of 1¢ to begin collection January 1, 2004. Revenue bonds of \$2,505,000 were sold in fiscal 2006. A bond issue for \$12,500,000 was approved October 21, 2003. Site preparation for new construction for an 8-9 grades building on the campus of the current high school began in June, 2004. Remodeling of other District buildings and air conditioning all District elementary school buildings is in progress.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

| Change | Total School District | | Total |
|--------------------------|--------------------------|-----------|-----------|
| | 2006 | 2005 | 2005-2006 |
| General obligation bonds | \$ 13,610 | \$ 13,200 | 3.1% |
| Revenue bonds | 2,505 | 0 | 2505.0% |
| Notes payable | 0 | 0 | 0% |
| Early retirement | 180 | 85 | 111.8% |
| Compensated absences | 0 | 0 | 0% |
| Totals | \$ 16,295 | \$ 13,285 | 22.7% |

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The State of Iowa dictated a statewide revaluation of agricultural land and the corresponding rollback in residential property values resulted in a loss of approximately \$1 million in bonding capacity for the 8-9 grades building and remodeling projects. The district used revenue bonds based on Local Option Sales and Services Taxes to fund those projects, funds that were intended to replace the Physical Plant and Equipment Levy that expired at the end of fiscal 2005 and were intended to be used as a cushion for other infrastructure needs. The 10-year Facility Plan will be impacted by less funding dollars available unless SILO dollars increase.
- The District experienced declining enrollment for five years before an increase of twenty students in fiscal 2003 that was followed by a loss of students in fiscal 2004. Enrollment increased slightly again for fiscal 2006. The completion of converting U.S. Highway 6 from two lanes to four lanes and new housing projects begun in DeSoto and several rural areas are expected to lead to enrollment increases on a steady basis in future years. Over the last twenty years, the District has experienced an average increase of just under 2% annually.
- The District will negotiate a new agreement during fiscal 2007 with the Adel-DeSoto-Minburn Education Association. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance unless expenditures are reduced or property taxes are increased; the instructional support levy was increased from 7% to a maximum of 10% for fiscal 2005 and has remained at that level.

- In 2001, two important legislative acts were passed into law which affect public school education. The federal government passed “No Child Left Behind” and Iowa passed the “Student Achievement and Teacher Quality Act”. The District is continuing to work through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley McAdon, District Secretary/Treasurer and Business Manager, Adel-DeSoto-Minburn Community School District, 801 Nile Kinnick Drive South, Adel, Iowa, 50003.

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Basic Financial Statements

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Cash and pooled investments | \$ 4,306,099 | \$ 63,846 | \$ 4,369,945 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 35,307 | - | 35,307 |
| Succeeding year | 3,794,922 | - | 3,794,922 |
| Accounts | 6,740 | 205 | 6,945 |
| Due from other governments | 304,187 | - | 304,187 |
| Interfund balances (note 4) | 33,689 | (33,689) | - |
| Inventories | - | 5,653 | 5,653 |
| Capital assets, net of accumulated depreciation (note 5) | 19,879,083 | 103,714 | 19,982,797 |
| Total assets | 28,360,027 | 139,729 | 28,499,756 |
| Liabilities | | | |
| Accounts payable | 445,029 | 32,838 | 477,867 |
| Salaries and benefits payable | 1,180,494 | 39,755 | 1,220,249 |
| Due to other governments | 53,710 | - | 53,710 |
| Accrued interest payable | 106,080 | - | 106,080 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,794,922 | - | 3,794,922 |
| Other | 275 | 8,420 | 8,695 |
| Long-term liabilities (note 6): | | | |
| Portion due within one year: | | | |
| Early retirement | 179,883 | - | 179,883 |
| Bonds payable | 490,000 | - | 490,000 |
| Portion due after one year: | | | |
| Bonds payable | 15,625,000 | - | 15,625,000 |
| Total liabilities | 21,875,393 | 81,013 | 21,956,406 |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 6,269,083 | \$ 103,714 | \$ 6,372,797 |
| Restricted for: | | | |
| Physical plant and equipment levy | 228,598 | - | 228,598 |
| Other special revenue purposes | 125,969 | - | 125,969 |
| Capital projects | 111,825 | - | 111,825 |
| Unrestricted | (250,841) | (44,998) | (295,839) |
| Total net assets | <u>\$ 6,484,634</u> | <u>\$ 58,716</u> | <u>\$ 6,543,350</u> |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

| Functions/Programs | Expenses | Program Revenues | | |
|---|-------------------|----------------------|---|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 5,415,432 | \$ 706,019 | \$ 287,345 | \$ - |
| Special instruction | 2,005,452 | 230,230 | 135,700 | - |
| Other instruction | 744,705 | 300,434 | 5,049 | - |
| | <u>8,165,589</u> | <u>1,236,683</u> | <u>428,094</u> | <u>-</u> |
| Support services: | | | | |
| Student services | 303,147 | - | 11,197 | - |
| Instructional staff services | 521,457 | - | 48,422 | - |
| Administration services | 1,159,152 | - | - | - |
| Operation and maintenance of plant services | 1,113,527 | - | 174,206 | - |
| Transportation services | 488,569 | 15,201 | - | - |
| | <u>3,585,852</u> | <u>15,201</u> | <u>233,825</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 82,094 | - | - | 478,155 |
| Long-term debt interest and fiscal charges | 579,479 | - | - | - |
| AEA flowthrough | 409,437 | - | 409,437 | - |
| Depreciation (unallocated) * | 307,262 | - | - | - |
| | <u>1,378,272</u> | <u>-</u> | <u>409,437</u> | <u>478,155</u> |
| Total governmental activities | <u>13,129,713</u> | <u>1,251,884</u> | <u>1,071,356</u> | <u>478,155</u> |
| Business-Type Activities: | | | | |
| Support services: | | | | |
| Administration services | 3,714 | - | - | - |
| Operation and maintenance of plant services | 42,418 | - | - | - |
| | <u>46,132</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Non-instructional programs: | | | | |
| Food service operations | 599,858 | 413,639 | 170,554 | - |
| Daycare operations | 24,347 | 36,691 | - | - |
| | <u>624,205</u> | <u>450,330</u> | <u>170,554</u> | <u>-</u> |
| Total business-type activities | <u>670,337</u> | <u>450,330</u> | <u>170,554</u> | <u>-</u> |
| Total | \$ 13,800,050 | \$ 1,702,214 | \$ 1,241,910 | \$ 478,155 |

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (4,422,068) | \$ - | \$ (4,422,068) |
| (1,639,522) | - | (1,639,522) |
| (439,222) | - | (439,222) |
| (6,500,812) | - | (6,500,812) |
| (291,950) | - | (291,950) |
| (473,035) | - | (473,035) |
| (1,159,152) | - | (1,159,152) |
| (939,321) | - | (939,321) |
| (473,368) | - | (473,368) |
| (3,336,826) | - | (3,336,826) |
| 396,061 | - | 396,061 |
| (579,479) | - | (579,479) |
| - | - | - |
| (307,262) | - | (307,262) |
| (490,680) | - | (490,680) |
| (10,328,318) | - | (10,328,318) |
| - | (3,714) | (3,714) |
| - | (42,418) | (42,418) |
| - | (46,132) | (46,132) |
| - | (15,665) | (15,665) |
| - | 12,344 | 12,344 |
| - | (3,321) | (3,321) |
| - | (49,453) | (49,453) |
| (10,328,318) | (49,453) | (10,377,771) |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 11)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|---------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ 3,418,519 | \$ - | \$ 3,418,519 |
| 471,396 | - | 471,396 |
| 84,358 | - | 84,358 |
| 1,222,374 | - | 1,222,374 |
| 5,730,606 | - | 5,730,606 |
| 173,882 | 1,699 | 175,581 |
| 119,590 | - | 119,590 |
| 11,220,725 | 1,699 | 11,222,424 |
| 892,407 | (47,754) | 844,653 |
| 5,592,227 | 106,470 | 5,698,697 |
| <u>\$ 6,484,634</u> | <u>\$ 58,716</u> | <u>\$ 6,543,350</u> |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------|---------------------|-----------------------------------|--------------------------------|
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 961,962 | \$ 2,812,989 | \$ 531,148 | \$ 4,306,099 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 28,571 | - | 6,736 | 35,307 |
| Succeeding year | 2,993,938 | - | 800,984 | 3,794,922 |
| Interfund receivable (note 4) | - | 33,689 | - | 33,689 |
| Accounts | 4,250 | - | 2,490 | 6,740 |
| Due from other governments | 89,104 | 215,083 | - | 304,187 |
| | <u>4,077,825</u> | <u>3,061,761</u> | <u>1,341,358</u> | <u>8,480,944</u> |
| Total assets | \$ 4,077,825 | \$ 3,061,761 | \$ 1,341,358 | \$ 8,480,944 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 14,103 | \$ 428,236 | \$ 2,690 | \$ 445,029 |
| Salaries and benefits payable | 1,178,880 | - | 1,614 | 1,180,494 |
| Due to other governments | 53,710 | - | - | 53,710 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,993,938 | - | 800,984 | 3,794,922 |
| Other | 275 | - | - | 275 |
| Total liabilities | 4,240,906 | 428,236 | 805,288 | 5,474,430 |
| Fund balance: | | | | |
| Reserved for: | | | | |
| State grants | 1,082 | - | - | 1,082 |
| Local option sales and services tax revenue bonds | - | 250,748 | - | 250,748 |
| Debt service | - | - | 51,669 | 51,669 |
| Unreserved: | | | | |
| Reported in nonmajor Special Revenue Funds | - | - | 484,401 | 484,401 |
| Undesignated | (164,163) | 2,382,777 | - | 2,218,614 |
| Total fund balances | (163,081) | 2,633,525 | 536,070 | 3,006,514 |
| Total liabilities and fund balances | \$ 4,077,825 | \$ 3,061,761 | \$ 1,341,358 | \$ 8,480,944 |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

| | |
|---|---------------------|
| Total fund balances of governmental funds | \$ 3,006,514 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 19,879,083 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (106,080) |
| Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(16,294,883)</u> |
| Net assets of governmental activities | <u>\$ 6,484,634</u> |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

| | General | Capital Projects | Nonmajor Governmental Funds | Total |
|---|--------------|---------------------|-----------------------------------|--------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,193,831 | \$ 1,222,374 | \$ 777,699 | \$ 5,193,904 |
| Tuition | 876,667 | - | - | 876,667 |
| Other | 207,990 | 147,886 | 325,252 | 681,128 |
| State sources | 6,621,696 | - | 525 | 6,622,221 |
| Federal sources | 182,484 | 454,290 | - | 636,774 |
| Total revenues | 11,082,668 | 1,824,550 | 1,103,476 | 14,010,694 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 4,904,106 | 19,261 | 111,152 | 5,034,519 |
| Special instruction | 2,001,882 | - | - | 2,001,882 |
| Other instruction | 753,931 | - | 273,104 | 1,027,035 |
| | 7,659,919 | 19,261 | 384,256 | 8,063,436 |
| Support services: | | | | |
| Student services | 302,435 | - | 711 | 303,146 |
| Instructional staff services | 478,771 | - | 42,687 | 521,458 |
| Administration services | 1,136,021 | 2,875 | 18,847 | 1,157,743 |
| Operation and maintenance of plant services | 1,032,009 | - | 89,859 | 1,121,868 |
| Transportation services | 399,216 | - | 155,335 | 554,551 |
| | 3,348,452 | 2,875 | 307,439 | 3,658,766 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 9,437,295 | - | 9,437,295 |
| Long term debt: | | | | |
| Principal | - | - | 475,000 | 475,000 |
| Interest and fiscal charges | - | 61,245 | 494,117 | 555,362 |
| AEA flowthrough | 409,437 | - | - | 409,437 |
| | 409,437 | 9,498,540 | 969,117 | 10,877,094 |
| Total expenditures | 11,417,808 | 9,520,676 | 1,660,812 | 22,599,296 |
| Deficiency of revenues under expenditures | (335,140) | (7,696,126) | (557,336) | (8,588,602) |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

| | General | Capital Projects | Nonmajor Governmental Funds | Total |
|---|---------------------|---------------------|-----------------------------------|---------------------|
| Other financing sources (uses): | | | | |
| Sale of equipment | \$ 1,315 | \$ - | \$ - | \$ 1,315 |
| Compensation for loss of capital assets | 4,541 | - | - | 4,541 |
| Interfund transfers in | - | - | 318,966 | 318,966 |
| Interfund transfers out | - | (318,966) | - | (318,966) |
| General obligation bonds issued | - | 885,000 | - | 885,000 |
| Local option sales and services tax revenue bonds issued | - | 2,505,000 | - | 2,505,000 |
| Premium on sale of bonds | - | 5,570 | - | 5,570 |
| Total other financing sources (uses) | <u>5,856</u> | <u>3,076,604</u> | <u>318,966</u> | <u>3,401,426</u> |
| Net change in fund balances | (329,284) | (4,619,522) | (238,370) | (5,187,176) |
| Fund balances beginning of year | <u>166,203</u> | <u>7,253,047</u> | <u>774,440</u> | <u>8,193,690</u> |
| Fund balances end of year | <u>\$ (163,081)</u> | <u>\$ 2,633,525</u> | <u>\$ 536,070</u> | <u>\$ 3,006,514</u> |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (5,187,176)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 9,519,015 | |
| Depreciation expense | <u>(405,335)</u> | 9,113,680 |

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 475,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (24,116)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (94,981)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities. (3,390,000)

Change in net assets of governmental activities \$ 892,407

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2006

| | School Nutrition | Nonmajor - Daycare | Total |
|---|---------------------|-----------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 20,498 | \$ 43,348 | \$ 63,846 |
| Accounts receivable | 30 | 175 | 205 |
| Inventories | 5,653 | - | 5,653 |
| Capital assets, net of accumulated depreciation | 102,376 | 1,338 | 103,714 |
| Total assets | <u>128,557</u> | <u>44,861</u> | <u>173,418</u> |
| Liabilities | | | |
| Accounts payable | 32,838 | - | 32,838 |
| Salaries and benefits payable | 37,877 | 1,878 | 39,755 |
| Interfund payable (note 4) | 33,689 | - | 33,689 |
| Deferred revenue | 8,420 | - | 8,420 |
| Total liabilities | <u>112,824</u> | <u>1,878</u> | <u>114,702</u> |
| Net Assets | | | |
| Invested in capital assets | 102,376 | 1,338 | 103,714 |
| Unrestricted | <u>(86,643)</u> | <u>41,645</u> | <u>(44,998)</u> |
| Total net assets | <u>\$ 15,733</u> | <u>\$ 42,983</u> | <u>\$ 58,716</u> |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2006

| | <u>School Nutrition</u> | <u>Nonmajor - Daycare</u> | <u>Total</u> |
|---|-----------------------------|-------------------------------|------------------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for services | \$ 413,639 | \$ 36,691 | \$ 450,330 |
| Operating expenses: | | | |
| Support services: | | | |
| Administration services | 64 | 3,650 | 3,714 |
| Operation and maintenance of plant services | 42,324 | 94 | 42,418 |
| Non-instructional programs | 599,858 | 24,347 | 624,205 |
| | <u>642,246</u> | <u>28,091</u> | <u>670,337</u> |
| Operating income (loss) | <u>(228,607)</u> | <u>8,600</u> | <u>(220,007)</u> |
| Non-operating revenues: | | | |
| Interest on investments | 864 | 835 | 1,699 |
| State sources | 6,748 | - | 6,748 |
| Federal sources | 163,806 | - | 163,806 |
| Total non-operating revenues | <u>171,418</u> | <u>835</u> | <u>172,253</u> |
| Change in net assets | (57,189) | 9,435 | (47,754) |
| Net assets beginning of year | <u>72,922</u> | <u>33,548</u> | <u>106,470</u> |
| Net assets end of year | <u>\$ 15,733</u> | <u>\$ 42,983</u> | <u>\$ 58,716</u> |

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

| | School Nutrition | Nonmajor - Daycare | Total |
|---|---------------------|-----------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 412,563 | \$ - | \$ 412,563 |
| Cash received from miscellaneous operating activities | 1,578 | 36,656 | 38,234 |
| Cash payments to employees for services | (290,467) | (16,644) | (307,111) |
| Cash payments to suppliers for goods or services | (305,733) | (4,638) | (310,371) |
| Net cash provided by (used by) operating activities | <u>(182,059)</u> | <u>15,374</u> | <u>(166,685)</u> |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 6,748 | - | 6,748 |
| Federal grants received | 137,397 | - | 137,397 |
| Net cash provided by non-capital financing activities | <u>144,145</u> | <u>-</u> | <u>144,145</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | <u>(21,049)</u> | <u>(1,498)</u> | <u>(22,547)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>864</u> | <u>835</u> | <u>1,699</u> |
| Net increase (decrease) in cash and cash equivalents | (58,099) | 14,711 | (43,388) |
| Cash and cash equivalents beginning of year | <u>78,597</u> | <u>28,637</u> | <u>107,234</u> |
| Cash and cash equivalents end of year | <u>\$ 20,498</u> | <u>\$ 43,348</u> | <u>\$ 63,846</u> |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

| | School Nutrition | Nonmajor - Daycare | Total |
|---|---------------------|-----------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | |
| Operating income (loss) | \$ (228,607) | \$ 8,600 | \$ (220,007) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | |
| Depreciation | 13,710 | 6,991 | 20,701 |
| Commodities used | 26,409 | - | 26,409 |
| (Increase) in accounts receivable | (30) | (35) | (65) |
| Decrease in inventories | 105 | - | 105 |
| Increase in accounts payable | 2,840 | - | 2,840 |
| Increase (decrease) in salaries and benefits payable | 2,982 | (182) | 2,800 |
| Increase in deferred revenue | 532 | - | 532 |
| Net cash provided by (used by) operating activities | \$ <u>(182,059)</u> | \$ <u>15,374</u> | \$ <u>(166,685)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$26,409 of federal commodities.

See notes to financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

| | <u>Private Purpose Trust</u> | <u>Scholarship</u> |
|------------------------------------|----------------------------------|---------------------|
| Assets: | | |
| Cash and pooled investments | \$ | <u>1,050</u> |
| Liabilities: | | |
| None | | <u>-</u> |
| Net assets: | | |
| Reserved for scholarships | \$ | <u><u>1,050</u></u> |
| See notes to financial statements. | | |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2006

| | Private Purpose Trust | Scholarship |
|------------------------------------|--------------------------|--------------|
| Additions: | | |
| Local sources: | | |
| Gifts and contributions | \$ 2,850 | |
| Interest | 40 | |
| Total additions | <u>2,890</u> | |
| Deductions: | | |
| Support services: | | |
| Scholarships awarded | | <u>3,450</u> |
| Change in net assets | (560) | |
| Net assets beginning of year | <u>1,610</u> | |
| Net assets end of year | <u>\$ 1,050</u> | |
| See notes to financial statements. | | |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Adel-DeSoto-Minburn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Adel, DeSoto, and Minburn, Iowa, and the agricultural territory in portions of Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Adel-DeSoto-Minburn Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Adel-DeSoto-Minburn Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---|--------|
| Land | \$ - |
| Buildings | 50,000 |
| Improvements other than buildings | 30,000 |
| Furniture and equipment: | |
| School Nutrition and Daycare Fund Equipment | 300 |
| Vehicles | 3,500 |
| Other furniture and equipment | 3,500 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20 years |
| Furniture and equipment | 5-12 years |

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unearned revenues, unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unearned revenues and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Employees are not paid for unused sick leave benefits upon termination, death or retirement. Classified employees who have worked twelve months qualify for paid vacation. A liability is recorded when incurred in the District-wide financial statements. The District had no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2006, are as follows:

| | <u>Fair Value</u> |
|--------------------------|-----------------------|
| Money Market Mutual Fund | \$ <u>257,155</u> |

The investment in the money market mutual fund is stated at fair value.

Credit Risk – The investment in the money market mutual fund was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>318,966</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|-------------------------------|------------------|
| Interfund balances between Proprietary and Governmental Funds: | | |
| Other receivables: | | |
| Capital Projects | Enterprise - School Nutrition | \$ <u>33,689</u> |

The interfund balances are due to timing differences involved in the reimbursement of equipment to the Capital Projects Fund and have been eliminated on the face of the District-wide Statement of Net Assets.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

| | Balance Beginning of Year, as Restated | Increases | Decreases | Balance End of Year |
|---|---|---------------|--------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 669,715 | \$ - | \$ - | \$ 669,715 |
| Construction in progress | 4,219,378 | 9,280,697 | 2,185,434 | 11,314,641 |
| Total capital assets not being depreciated | 4,889,093 | 9,280,697 | 2,185,434 | 11,984,356 |
| Capital assets being depreciated: | | | | |
| Buildings | 9,486,021 | 2,185,434 | - | 11,671,455 |
| Improvements other than buildings | 1,024,168 | 74,505 | - | 1,098,673 |
| Furniture and equipment | 1,316,332 | 163,813 | 63,616 | 1,416,529 |
| Total capital assets being depreciated | 11,826,521 | 2,423,752 | 63,616 | 14,186,657 |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,463,007 | 252,329 | - | 4,715,336 |
| Improvements other than buildings | 454,796 | 54,933 | - | 509,729 |
| Furniture and equipment | 1,032,408 | 98,073 | 63,616 | 1,066,865 |
| Total accumulated depreciation | 5,950,211 | 405,335 | 63,616 | 6,291,930 |
| Total capital assets being depreciated, net | 5,876,310 | 2,018,417 | - | 7,894,727 |
| Governmental activities capital assets, net | \$ 10,765,403 | \$ 11,299,114 | \$ 2,185,434 | \$ 19,879,083 |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|-------------|---------------------------|
| Business-type activities: | | | | |
| Furniture and equipment | \$ 176,369 | \$ 86,180 | \$ 3,215 | \$ 259,334 |
| Less accumulated depreciation | 138,134 | 20,701 | 3,215 | 155,620 |
| Business-type activities capital assets, net | <u>\$ 38,235</u> | <u>\$ 65,479</u> | <u>\$ -</u> | <u>\$ 103,714</u> |

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

| | |
|---------|-----------|
| Regular | \$ 12,909 |
| Special | 3,570 |
| Other | 2,306 |

Support services:

| | |
|---|---------------|
| Administration | 1,331 |
| Operation and maintenance of plant services | 9,049 |
| Transportation | 68,908 |
| | <u>98,073</u> |

| | |
|--------------------------|----------------|
| Unallocated depreciation | <u>307,262</u> |
|--------------------------|----------------|

| | |
|--|-------------------|
| Total governmental activities depreciation expense | <u>\$ 405,335</u> |
|--|-------------------|

Business-type activities:

| | |
|-------------------------|--------------|
| Food service operations | \$ 13,710 |
| Daycare operations | <u>6,991</u> |

| | |
|---|------------------|
| Total business-type activities depreciation expense | <u>\$ 20,701</u> |
|---|------------------|

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

| | Early Retirement | General Obligation Bonds | Local Option Sales and Services Tax Revenue Bonds | Total |
|---------------------------|---------------------|--------------------------------|---|----------------------|
| Balance beginning of year | \$ 84,902 | \$ 13,200,000 | \$ - | \$ 13,284,902 |
| Additions | 179,883 | 885,000 | 2,505,000 | 3,569,883 |
| Reductions | 84,902 | 475,000 | - | 559,902 |
| Balance end of year | <u>\$ 179,883</u> | <u>\$ 13,610,000</u> | <u>\$ 2,505,000</u> | <u>\$ 16,294,883</u> |
| Due within one year | <u>\$ 179,883</u> | <u>\$ 490,000</u> | <u>\$ -</u> | <u>\$ 669,883</u> |

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to 44% of the employee's year of application salary. Early retirement benefits will be paid in September following the start of retirement.

At June 30, 2006, the District has obligations to ten participants with a total liability of \$179,883. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$84,902. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of January 1990 | | | Bond Issue of October 2002 | | |
|-------------------------|----------------------------|------------------|------------------|----------------------------|---------------------|------------------|
| | Interest Rate | Principal | Interest | Interest Rate | Principal | Interest |
| 2007 | 6.80 % | \$ 30,000 | \$ 6,460 | 2.55 % | \$ 390,000 | \$ 30,190 |
| 2008 | 6.80 | 35,000 | 4,420 | 2.85 | 400,000 | 20,245 |
| 2009 | 6.80 | 30,000 | 2,040 | 3.05 | 290,000 | 8,845 |
| 2010 | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - |
| 2012 | - | - | - | - | - | - |
| 2013 | - | - | - | - | - | - |
| 2014 | - | - | - | - | - | - |
| 2015 | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| | | <u>\$ 95,000</u> | <u>\$ 12,920</u> | | <u>\$ 1,080,000</u> | <u>\$ 59,280</u> |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

| Year Ending June 30, | Bond Issue of December 2003 | | | Bond Issue of May 2004 | | |
|-------------------------|-----------------------------|---------------------|---------------------|------------------------|---------------------|---------------------|
| | Interest Rate | Principal | Interest | Interest Rate | Principal | Interest |
| 2007 | 2.50 % | \$ 70,000 | \$ 130,452 | - % | \$ - | \$ 312,758 |
| 2008 | 2.75 | 75,000 | 128,703 | - | - | 312,758 |
| 2009 | 3.00 | 160,000 | 126,640 | - | - | 312,757 |
| 2010 | 3.25 | 170,000 | 121,840 | 3.00 | 410,000 | 312,757 |
| 2011 | 3.50 | 170,000 | 116,315 | 3.00 | 430,000 | 300,457 |
| 2012 | 4.00 | 180,000 | 110,365 | 3.25 | 435,000 | 287,557 |
| 2013 | 4.00 | 185,000 | 103,165 | 3.30 | 450,000 | 273,420 |
| 2014 | 3.65 | 190,000 | 95,765 | 3.40 | 470,000 | 258,570 |
| 2015 | 3.80 | 200,000 | 88,830 | 3.55 | 480,000 | 242,590 |
| 2016 | 3.90 | 205,000 | 81,230 | 3.65 | 500,000 | 225,550 |
| 2017 | 4.00 | 215,000 | 73,235 | 3.80 | 520,000 | 207,300 |
| 2018 | 4.10 | 225,000 | 64,635 | 3.90 | 535,000 | 187,540 |
| 2019 | 4.15 | 235,000 | 55,410 | 4.00 | 560,000 | 166,675 |
| 2020 | 4.25 | 250,000 | 45,658 | 4.10 | 575,000 | 144,275 |
| 2021 | 4.30 | 255,000 | 35,032 | 4.15 | 600,000 | 120,700 |
| 2022 | 4.35 | 265,000 | 24,068 | 4.20 | 625,000 | 95,800 |
| 2023 | 4.40 | 285,000 | 12,540 | 4.25 | 650,000 | 69,550 |
| 2024 | - | - | - | 4.30 | 975,000 | 41,925 |
| 2025 | - | - | - | - | - | - |
| | | <u>\$ 3,335,000</u> | <u>\$ 1,413,883</u> | | <u>\$ 8,215,000</u> | <u>\$ 3,872,939</u> |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

| Year Ending June 30, | Bond Issue of April 2006 | | | Total | |
|-------------------------|--------------------------|-------------------|-------------------|----------------------|---------------------|
| | Interest Rate | Principal | Interest | Principal | Interest |
| 2007 | - % | \$ - | \$ 40,747 | \$ 490,000 | \$ 520,607 |
| 2008 | - | - | 37,613 | 510,000 | 503,739 |
| 2009 | - | - | 37,613 | 480,000 | 487,895 |
| 2010 | - | - | 37,613 | 580,000 | 472,210 |
| 2011 | - | - | 37,613 | 600,000 | 454,385 |
| 2012 | - | - | 37,613 | 615,000 | 435,535 |
| 2013 | - | - | 37,613 | 635,000 | 414,198 |
| 2014 | - | - | 37,613 | 660,000 | 391,948 |
| 2015 | - | - | 37,613 | 680,000 | 369,033 |
| 2016 | - | - | 37,613 | 705,000 | 344,393 |
| 2017 | - | - | 37,613 | 735,000 | 318,148 |
| 2018 | - | - | 37,613 | 760,000 | 289,788 |
| 2019 | - | - | 37,613 | 795,000 | 259,698 |
| 2020 | - | - | 37,613 | 825,000 | 227,546 |
| 2021 | - | - | 37,613 | 855,000 | 193,345 |
| 2022 | - | - | 37,613 | 890,000 | 157,481 |
| 2023 | - | - | 37,613 | 935,000 | 119,703 |
| 2024 | - | - | 37,613 | 975,000 | 79,538 |
| 2025 | 4.25 | 885,000 | 37,613 | 885,000 | 37,613 |
| | | <u>\$ 885,000</u> | <u>\$ 717,781</u> | <u>\$ 13,610,000</u> | <u>\$ 6,076,803</u> |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rate | Principal | Interest |
|-------------------------|------------------|---------------------|-------------------|
| 2007 | - % | \$ - | \$ 66,800 |
| 2008 | 4.0 | 320,000 | 100,200 |
| 2009 | 4.0 | 330,000 | 87,400 |
| 2010 | 4.0 | 340,000 | 74,200 |
| 2011 | 4.0 | 355,000 | 60,600 |
| 2012 | 4.0 | 370,000 | 46,400 |
| 2013 | 4.0 | 385,000 | 31,600 |
| 2014 | 4.0 | 405,000 | 16,200 |
| | | <u>\$ 2,505,000</u> | <u>\$ 483,400</u> |

The school infrastructure local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds included the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and service tax revenues received by the District, and the bond holders hold a lien on the future revenues received.
- (b) Sufficient monthly deposits shall be made to the debt service sinking account for the purpose of making the bond principal and interest payments when due.
- (c) Separate bond reserve funds will be maintained in the minimum amount of \$250,500 to be solely for the purpose of paying principal and interest in the event the District does not have sufficient local option sales and services tax revenue for that purpose.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$439,799, \$426,504, and \$400,772 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Adel-DeSoto-Minburn Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$409,437 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$9,973,949 for high school renovations and an elementary school addition. As of June 30, 2006, costs of \$8,426,411 had been incurred against the contracts. The balance of \$1,547,538 remaining at June 30, 2006 will be paid as work on the projects progresses.

Note 11. Restatement of Beginning Balances

The following beginning balances have been restated to properly reflect the cost of construction in progress as of June 30, 2005.

| | Construction in Progress | Governmental Activities Net Assets |
|---------------------------------|-----------------------------|--|
| Balance, as previously reported | \$ 4,477,743 | \$ 5,850,592 |
| Adjustment to capital assets | <u>(258,365)</u> | <u>(258,365)</u> |
| Balance, as restated | <u>\$ 4,219,378</u> | <u>\$ 5,592,227</u> |

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Required Supplementary Information

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2006

| | Governmental Funds - Actual | Proprietary Funds - Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|-----------------------------------|----------------------------------|-----------------|------------------|----------------|--------------------------------|
| | | | | Original | Final | |
| RECEIPTS: | | | | | | |
| Local sources | \$ 6,776,013 | \$ 452,496 | \$ 7,228,509 | \$ 6,778,193 | \$ 6,778,193 | \$ 450,316 |
| State sources | 6,615,302 | 6,748 | 6,622,050 | 6,593,555 | 6,593,555 | 28,495 |
| Federal sources | 637,652 | 163,806 | 801,458 | 774,290 | 774,290 | 27,168 |
| Total receipts | 14,028,967 | 623,050 | 14,652,017 | 14,146,038 | 14,146,038 | 505,979 |
| DISBURSEMENTS: | | | | | | |
| Instruction | 8,046,722 | - | 8,046,722 | 7,803,073 | 8,350,000 | 303,278 |
| Support services | 3,631,861 | 43,507 | 3,675,368 | 3,305,855 | 3,500,000 | (175,368) |
| Non-instructional programs | - | 622,931 | 622,931 | 634,735 | 750,000 | 127,069 |
| Other expenditures | 11,491,487 | - | 11,491,487 | 11,497,974 | 14,000,000 | 2,508,513 |
| Total disbursements | 23,170,070 | 666,438 | 23,836,508 | 23,241,637 | 26,600,000 | 2,763,492 |
| Excess (deficiency) of receipts over (under) disbursements | (9,141,103) | (43,388) | (9,184,491) | (9,095,599) | (12,453,962) | 3,269,471 |
| Other financing sources, net | 3,401,426 | - | 3,401,426 | - | - | 3,401,426 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements | (5,739,677) | (43,388) | (5,783,065) | (9,095,599) | (12,453,962) | 6,670,897 |
| Balance beginning of year | 10,045,776 | 107,234 | 10,153,010 | 10,879,584 | 10,879,584 | (726,574) |
| Balance end of year | \$ 4,306,099 | \$ 63,846 | \$ 4,369,945 | \$ 1,783,985 | \$ (1,574,378) | \$ 5,944,323 |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2006

| | Governmental Funds | | |
|--------------------------------|---------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 14,028,967 | \$ (18,273) | \$ 14,010,694 |
| Expenditures | 23,170,070 | (570,774) | 22,599,296 |
| Net | (9,141,103) | 552,501 | (8,588,602) |
| Other financing sources (uses) | 3,401,426 | - | 3,401,426 |
| Beginning fund balances | 10,045,776 | (1,852,086) | 8,193,690 |
| Ending fund balances | <u>\$ 4,306,099</u> | <u>\$ (1,299,585)</u> | <u>\$ 3,006,514</u> |
| | Proprietary Funds | | |
| | Enterprise | | |
| | Cash Basis | Accrual Adjust- ments | Accrual Basis |
| Revenues | \$ 623,050 | \$ (467) | \$ 622,583 |
| Expenses | 666,438 | 3,899 | 670,337 |
| Net | (43,388) | (4,366) | (47,754) |
| Beginning net assets | 107,234 | (764) | 106,470 |
| Ending net assets | <u>\$ 63,846</u> | <u>\$ (5,130)</u> | <u>\$ 58,716</u> |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$3,358,363.

During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

Other Supplementary Information

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

| | Special Revenue | | | | |
|-----------------------------------|--------------------|---------------------|--|-------------------|---------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Debt Service | Total |
| Assets | | | | | |
| Cash and pooled investments | \$ 127,827 | \$ 127,783 | \$ 227,879 | \$ 47,659 | \$ 531,148 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 2,007 | - | 719 | 4,010 | 6,736 |
| Succeeding year | 291,658 | - | 77,231 | 432,095 | 800,984 |
| Accounts | - | 2,490 | - | - | 2,490 |
| Total assets | <u>\$ 421,492</u> | <u>\$ 130,273</u> | <u>\$ 305,829</u> | <u>\$ 483,764</u> | <u>\$ 1,341,358</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 2,690 | \$ - | \$ - | \$ 2,690 |
| Salaries and benefits payable | - | 1,614 | - | - | 1,614 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 291,658 | - | 77,231 | 432,095 | 800,984 |
| Total liabilities | <u>291,658</u> | <u>4,304</u> | <u>77,231</u> | <u>432,095</u> | <u>805,288</u> |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | - | 51,669 | 51,669 |
| Unreserved: | | | | | |
| Undesignated | 129,834 | 125,969 | 228,598 | - | 484,401 |
| Total fund equity | <u>129,834</u> | <u>125,969</u> | <u>228,598</u> | <u>51,669</u> | <u>536,070</u> |
| Total liabilities and fund equity | <u>\$ 421,492</u> | <u>\$ 130,273</u> | <u>\$ 305,829</u> | <u>\$ 483,764</u> | <u>\$ 1,341,358</u> |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

| | Special Revenue | | | | |
|--|--------------------|---------------------|--|-----------------|------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Debt Service | Total |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 222,316 | \$ - | \$ 84,302 | \$ 471,081 | \$ 777,699 |
| Other | 9,151 | 305,210 | 5,691 | 5,200 | 325,252 |
| State sources | 154 | - | 56 | 315 | 525 |
| Total revenues | 231,621 | 305,210 | 90,049 | 476,596 | 1,103,476 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 111,152 | - | - | - | 111,152 |
| Other instruction | - | 273,104 | - | - | 273,104 |
| Support services: | | | | | |
| Student services | 711 | - | - | - | 711 |
| Instructional staff services | 778 | 2,024 | 39,885 | - | 42,687 |
| Administration services | 18,847 | - | - | - | 18,847 |
| Operation and maintenance of plant services | 69,758 | 2,610 | 17,491 | - | 89,859 |
| Transportation services | 20,445 | - | 134,890 | - | 155,335 |
| Other expenditures: | | | | | |
| Long term debt: | | | | | |
| Principal | - | - | - | 475,000 | 475,000 |
| Interest and fiscal charges | - | - | - | 494,117 | 494,117 |
| Total expenditures | 221,691 | 277,738 | 192,266 | 969,117 | 1,660,812 |
| Excess (deficiency) of revenues over (under) expenditures | 9,930 | 27,472 | (102,217) | (492,521) | (557,336) |
| Other financing sources: | | | | | |
| Interfund transfers in | - | - | - | 318,966 | 318,966 |
| Net change in fund balances | 9,930 | 27,472 | (102,217) | (173,555) | (238,370) |
| Fund balances beginning of year | 119,904 | 98,497 | 330,815 | 225,224 | 774,440 |
| Fund balances end of year | \$ 129,834 | \$ 125,969 | \$ 228,598 | \$ 51,669 | \$ 536,070 |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|---------------------------|---------------------------------|----------|--------------|---------------------------|
| Interest | \$ 9,180 | \$ 4,775 | \$ 7,714 | \$ 6,241 |
| HS Cross Country | (72) | 6,042 | 5,970 | - |
| HS Golf | 2,784 | 10,596 | 8,998 | 4,382 |
| HS Weight | - | 4,698 | 4,698 | - |
| HS Boys Basketball | 2,838 | 13,459 | 15,264 | 1,033 |
| HS Football | (1,086) | 35,085 | 31,493 | 2,506 |
| HS Boys Soccer | 800 | 10,166 | 8,256 | 2,710 |
| HS Baseball | (1,470) | 16,393 | 14,670 | 253 |
| HS Boys Track | 510 | 13,578 | 11,523 | 2,565 |
| HS Wrestling | 1,863 | 9,967 | 9,763 | 2,067 |
| HS Girls Basketball | 74 | 7,361 | 6,879 | 556 |
| HS Volleyball | (212) | 8,144 | 7,924 | 8 |
| HS Girls Soccer | 637 | 12,663 | 10,666 | 2,634 |
| HS Softball | 495 | 6,937 | 8,253 | (821) |
| HS Girls Track | 353 | 7,006 | 7,051 | 308 |
| HS Girls Swimming | 54,119 | 22,026 | - | 76,145 |
| HS Button Club | 63 | - | - | 63 |
| HS Class of 2005 | 2,114 | - | 2,114 | - |
| HS Class of 2006 | 989 | - | - | 989 |
| HS Class of 2007 | - | 7,585 | 5,364 | 2,221 |
| HS Special Events | (4,338) | 64,253 | 60,707 | (792) |
| HS Drama | 8,410 | 7,799 | 10,550 | 5,659 |
| HS Speech Contest | 1,161 | 2,689 | 2,848 | 1,002 |
| HS French Club | 1,032 | 1,001 | 729 | 1,304 |
| HS National Honor Society | 103 | - | 103 | - |
| HS Danz Team | 3,314 | 7,081 | 7,227 | 3,168 |
| HS SADD | 2,519 | 1,386 | 1,997 | 1,908 |
| HS Thespian Club | 93 | 3,458 | 2,878 | 673 |
| HS Student Council | 234 | 8,501 | 8,403 | 332 |
| HS TSA | 398 | 732 | 1,114 | 16 |
| HS Yearbook | 4,579 | 19,766 | 21,683 | 2,662 |
| HS Cheerleading | 850 | 6,664 | 7,387 | 127 |
| MS Cross Country | - | 25 | 25 | - |
| MS Boys Basketball | - | 1,735 | 1,735 | - |
| MS Football | - | 3,972 | 3,972 | - |
| MS Baseball | - | 1,980 | 2,033 | (53) |
| MS Boys Track | - | 1,355 | 1,355 | - |
| MS Wrestling | - | 1,705 | 1,705 | - |
| MS Girls Basketball | - | 1,962 | 1,962 | - |
| MS Volleyball | - | 1,526 | 1,526 | - |
| MS Softball | - | 1,200 | 1,200 | - |

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|------------|--------------|---------------------------|
| MS Girls Track | \$ - | \$ 1,724 | \$ 1,724 | \$ - |
| MS Student Council | 4,902 | 5,186 | 4,118 | 5,970 |
| DeSoto Student Council | 1,261 | - | 1,128 | 133 |
| Intrafund Transfers | - | (36,971) | (36,971) | - |
| Total | \$ 98,497 | \$ 305,210 | \$ 277,738 | \$ 125,969 |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2006

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|----------------------------|---------------------------------|------------------|------------------|---------------------------|
| Assets | | | | |
| Cash | \$ - | \$ 12,940 | \$ 12,940 | \$ - |
| Due from other governments | 1,303 | - | 1,303 | - |
| | <u>1,303</u> | <u>-</u> | <u>1,303</u> | <u>-</u> |
| Total assets | \$ <u>1,303</u> | \$ <u>12,940</u> | \$ <u>14,243</u> | \$ <u>-</u> |
| Liabilities | | | | |
| Due to other governments | \$ <u>1,303</u> | \$ <u>12,940</u> | \$ <u>14,243</u> | \$ <u>-</u> |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis Years Ended June 30, | | | |
|---|--|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2004 | 2003 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 5,193,904 | \$ 4,917,068 | \$ 4,113,812 | \$ 3,699,326 |
| Tuition | 876,667 | 900,135 | 804,321 | 774,936 |
| Other | 681,128 | 641,454 | 400,666 | 407,345 |
| State sources | 6,622,221 | 6,207,251 | 5,953,621 | 5,770,463 |
| Federal sources | 636,774 | 184,708 | 172,597 | 194,224 |
| Total revenues | <u>\$ 14,010,694</u> | <u>\$ 12,850,616</u> | <u>\$ 11,445,017</u> | <u>\$ 10,846,294</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 5,034,519 | \$ 4,963,537 | \$ 4,727,184 | \$ 4,581,224 |
| Special instruction | 2,001,882 | 1,890,295 | 1,755,910 | 1,579,670 |
| Other instruction | 1,027,035 | 986,843 | 758,781 | 743,090 |
| Support services: | | | | |
| Student services | 303,146 | 307,132 | 276,733 | 287,439 |
| Instructional staff services | 521,458 | 381,207 | 361,792 | 336,600 |
| Administration services | 1,157,743 | 977,035 | 1,105,034 | 947,754 |
| Operation and maintenance of plant services | 1,121,868 | 1,039,748 | 972,766 | 931,055 |
| Transportation services | 554,551 | 516,087 | 451,489 | 424,600 |
| Non-instructional programs | - | - | 5,125 | 4,825 |
| Other expenditures: | | | | |
| Facilities acquisition | 9,437,295 | 4,194,736 | 1,008,414 | 194,836 |
| Long-term debt: | | | | |
| Principal | 475,000 | 400,000 | 395,000 | 355,000 |
| Interest and fiscal charges | 555,362 | 556,869 | 65,134 | 135,548 |
| AEA flowthrough | 409,437 | 389,902 | 392,113 | 402,374 |
| Total expenditures | <u>\$ 22,599,296</u> | <u>\$ 16,603,391</u> | <u>\$ 12,275,475</u> | <u>\$ 10,924,015</u> |

See accompanying independent auditor's report.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

| Grantor / Program | CFDA Number | Grant Number | Expenditures |
|--|----------------|-----------------|-------------------|
| Indirect: | | | |
| U. S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Food Donation (non-cash) | 10.550 | FY 06 | \$ 26,409 |
| School Nutrition Cluster Programs: | | | |
| School Breakfast Program | 10.553 | FY 06 | 13,456 |
| National School Lunch Program | 10.555 | FY 06 | 123,941 |
| | | | <u>137,397</u> |
| U. S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title 1 Grants to Local Educational Agencies | 84.010 | FY 06 | <u>63,568</u> |
| Fund for the Improvement of Education | 84.215 | FY 06 | <u>454,290</u> |
| Improving Teacher Quality State Grants | 84.367 | FY 06 | <u>26,676</u> |
| Grants for State Assessments and Related Activities | 84.369 | FY 06 | <u>8,844</u> |
| State Grants for Innovative Programs | 84.298 | FY 06 | <u>3,481</u> |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | FY 06 | <u>4,639</u> |
| Area Education Agency 11: | | | |
| Special Education - Grants to States | 84.027 | FY 06 | <u>70,227</u> |
| Waukee Community School District: | | | |
| Vocational Education - Basic Grants to States | 84.048 | FY 06 | <u>5,049</u> |
| Total | | | \$ <u>800,580</u> |

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Adel-DeSoto-Minburn Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Adel-DeSoto-Minburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Adel-DeSoto-Minburn Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adel-DeSoto-Minburn Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adel-DeSoto-Minburn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Adel-DeSoto-Minburn Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adel-DeSoto-Minburn Community School District and other parties to whom Adel-DeSoto-Minburn Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adel-DeSoto-Minburn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 3, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Adel-DeSoto-Minburn Community School District:

Compliance

We have audited the compliance of Adel-DeSoto-Minburn Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Adel-DeSoto-Minburn Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Adel-DeSoto-Minburn Community School District's management. Our responsibility is to express an opinion on Adel-DeSoto-Minburn Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adel-DeSoto-Minburn Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Adel-DeSoto-Minburn Community School District's compliance with those requirements.

In our opinion, Adel-DeSoto-Minburn Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Adel-DeSoto-Minburn Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Adel-DeSoto-Minburn Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Adel-DeSoto-Minburn Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adel-DeSoto-Minburn Community School District and other parties to whom Adel-DeSoto-Minburn Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
October 3, 2006

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adel-DeSoto-Minburn Community School District did not qualify a low-risk auditee.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash disbursements to the cash disbursements journal and the preparing and distributing of checks were performed by the same person. Also, the posting of the cash receipts and the bank deposits were done by the same person and bank reconciliations were performed by a person who was also authorized to sign checks.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

- II-B-06 Signature Stamp – One stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. Persons preparing the checks also use the stamp to sign the checks. This procedure negates the internal control procedure established by requiring two signatures on a check.

Recommendation – Employees preparing checks should not have access to the stamp used to sign checks. The Board President and Board Secretary should control their own stamp for the most effective control.

Response – The Board has reviewed the use of the signature stamp and believes its use allows the office to operate more efficiently.

Conclusion – Response accepted.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

ADEL-DESOTO-MINBURN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, exceeded the amount budgeted in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The overexpenditure was due to account code changes mandated by the Iowa Department of Education. We will amend our budget before disbursements exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.

- IV-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- IV-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-J-06 Financial Condition – The General Fund has a negative unreserved, undesignated fund balance of \$164,163.

Recommendation – The District needs to explore alternatives to restore the General Fund to a sound financial condition.

Response – The Board is aware of the condition and is working on restoring the District to a sound financial condition. The Board made some cuts in the budget and increased the instructional support and at risk levies for the year ending June 30, 2007. The Board is also considering a cash reserve levy for the year ending June 30, 2008.

Conclusion – Response accepted.

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